

Long Range Capital Improvement Program Projects & Financing

CITIZEN BOND COMMITTEE
FEBRUARY 25, 2016



Discussion

- Accounting Fund Structure
- Capital Investment
- Types of Debt & Ratings
- Outstanding Debt
- Past Debt Authorizations/Issues
- Current & Maximum Debt Service Levels
- Tax Rate Implications



Major Operating Funds

General Fund

- Revenues Property Taxes, Sales Taxes, Franchise Fees, Court Fines, Licenses, Fees, etc.
- Expenditures Police, Fire, Public Works, Admin, Finance, Parks, Community Services

Water & Sewer Fund

- Revenues Water & Sewer Billing
- Expenditures Dallas Water Utilities, Trinity River Authority, W&S Operations

Hotel/Motel Fund

- Revenues Hotel/Motel Occupancy Tax
- Expenditures Historical Park, Tourism, Special Events

Capital Improvement Project (CIP) Funds

- Non-Bond Utility
 - Pay-Go
 - Utility Replacements or Improvements
- Tax Increment Finance District #1
 - District Improvements
- Consolidated Dispatch
- Street Improvement

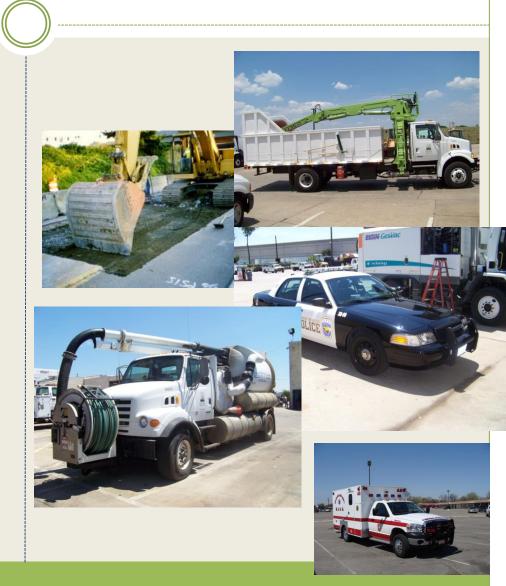
- Non-Bond CIP
 - o Pay-Go
 - **▼** Street Improvements
 - Park Light Replacements
 - Burke Nature Preserve
 - Playground Improvements
 - Trail Improvements
 - ▼ Farmers Market
- Tax Increment Finance District #2
 - District Improvements



Capital Investment Adopted FY 2016 Budget

√ Capital Investment

- ✓ Street Maintenance maintained at \$1 million annually
- ✓ Full Fixed Asset
 Replacement Schedule
 continued at \$1.1 million
 annually
- ✓ Library Materials maintained at \$210,000



Facility Improvement Program



- All Facility Assessment conducted in 2014
- Provides Phased
 Proactive Approach to
 Maintaining City
 Facilities
- Increased to \$475,000 annually



Capital Investment Needs Long-Term

Streets

- o 2014 GO Issue \$13.9 million
- 2018 GO Issue \$9.6 million
- Sufficient for 7-8 years

Trails

- o PayGo (FY '16 & '17) \$3.9 million
- Sufficient?

Water & Sewer

- o PayGo \$2.1 million annually
- o No Debt
- Sufficient



Capital Investment Needs Long-Term

- Stormwater/Drainage
 - PayGo \$1 million annually
 - Sufficient?
- Facilities
 - Service Center \$8 million (2018 PayGo)
 - o Fire Station No. 2 Funding?
 - o Justice Center Improvements Funding?
 - O Animal Shelter Expansion Funding?
 - o Library Funding?



Types of Debt

• Tax-supported Debt is backed by a pledge of property taxes levied within the issuer's boundaries. Some tax-supported debt may be secured by a combination of property taxes and other revenue sources. It generally must be voter-approved (with exceptions for COs, tax notes, school district maintenance tax notes, certain county road bonds and contractual obligations for personal property.)



Types of Debt

• Revenue-supported Debt is secured by nonproperty tax revenue such as sales tax, tuition, admissions to athletic events, tolls, or water, gas, or electric municipal utility charges. As used in this site, it does not include debt that is also payable from property taxes. Revenue-supported debt generally does not require voter approval.



Tax Supported Debt Types

General Obligation

- Requires Voter Approval
- Uniform Election Dates (November & May)
- 3-Year Project wait if not approved
- Required for Economic Development Projects
 - ▼ Eminent Domain & Taxable Issues

Certificates of Obligation

- City Council Authorized Anytime
- o 30 Day Notice
- Petition Possibility (7% of qualified voters)

Council Financial Management Policy

Life (maturity) of bond shall not exceed useful life of project



Bond Ratings

- Standard & Poor's AA+
- Fitch Ratings AA+
- Farmers Branch Rating Reports (Fitch/S&P)
 - Sound/Strong Finances & Liquidity
 - Strong Voter Approval (!!!)
 - Very Strong Management
 - Above-Average Socioeconomic Metrics
 - Manageable Long-Term Liabilities
 - Moderate Overall Debt
 - ➤ Principal Amortization Rapid 72% Retired in 10 years
 - Pension Funded Position Good



Outstanding Property Tax Supported Bonds

- Certificates of Obligation Taxable Series 2009
 - Four Corners Project (\$10 million)
- General Obligation Series 2010
 - Fire Station No. 1 Relocation (\$5,470,000)
- Certificates of Obligation Series 2012
 - Public Safety Radio System Upgrade (\$3 million)
- Certificates of Obligation Series 2013
 - Aquatic Center (\$6.5 million)
- Certificates of Obligation Series 2014
 - Consolidated Dispatch Center (\$1.9 million)
- General Obligation Series 2014
 - Streets (\$13.9 million)

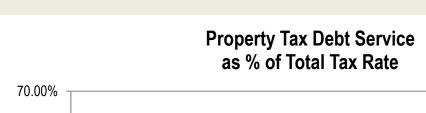


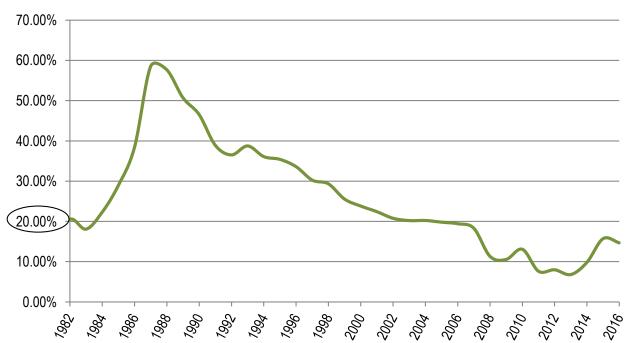
Recent Bond Election Failures

- May 9, 2009
 - Proposition 1 Water Park (\$5.0 million)
 - ➤ Failed 75% Against
 - Proposition 2 Senior Center Expansion + Pool (\$3.8 million)
 - ➤ Failed 67% Against
 - Proposition 3 New Library (\$10.8 million)
 - ➤ Failed 67% Against
 - Proposition 4 Fire Station (\$5.5 million)
 - × Passed 57% For
 - Proposition 5 Economic Development Fund (\$30 million)
 - ➤ Failed 61% Against



Debt Service

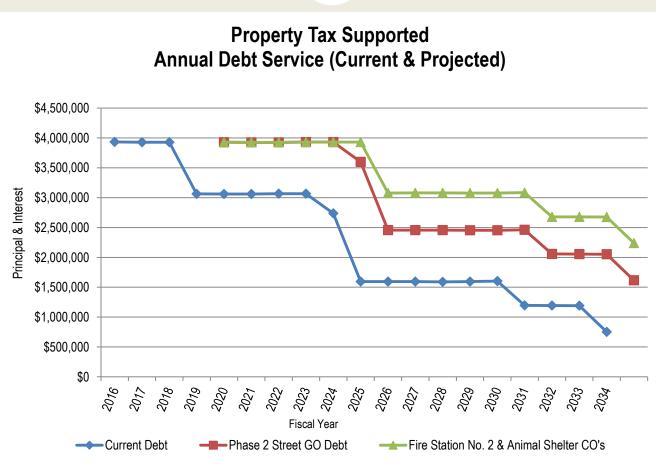






Debt Service

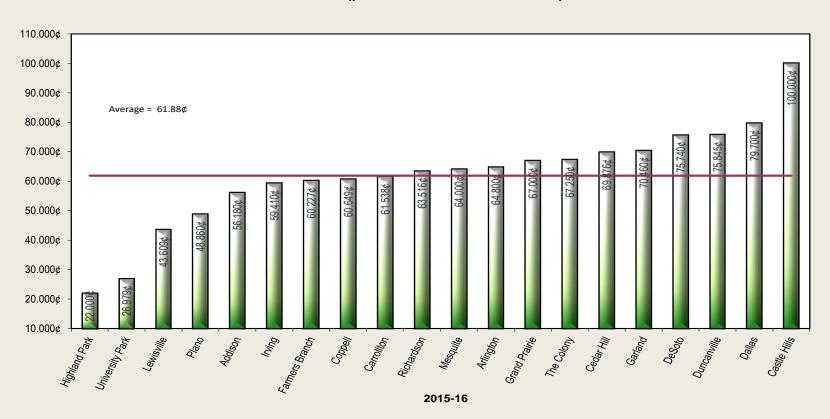






Tax Rate Comparison

MUNICIPAL TAX RATE COMPARISON within Dallas area (per \$100 assessed valuation)



Rates are preliminary.



Tax & Rate Implications

- Property Tax Rate Increase of 1¢
 - Increased Revenue = \$450,000
 - Equivalent to New Construction of \$74.7 million
 - 80% Paid by Commercial Property
 - Supports Debt Issue (20 yr@3%) of \$6.7 million
 - Increases average (\$159,255) annual residential homestead property tax bill - \$12.74
 - **▼** With Over-65 exemption \$6.24

QUESTIONS?